

Comptroller

29 February 1956

Chief, Finance Division

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REF : Memorandum for Office of Security from [redacted], OOC
dated 14 February 1956, Subject Above

1. Reference has been reviewed and comments are furnished as follows:

a. It was determined that the check tendered in payment of 1954 taxes was bad before funds were transmitted to Internal Revenue Service. Accordingly, the amount represented by the check was not paid to Internal Revenue Service. The proposed action on this item appears to be in order.

b. With respect to the \$299.40 withheld as 1955 tax withholding, it is my opinion that this amount should not be refunded to subject. Rather, and inasmuch as subject is to be advised to file a return showing U. S. Government as employer, it would appear that consideration should be given to filing an amended return with Internal Revenue Service including the W-2 for subject and paying the \$299.40 to Internal Revenue Service.

c. If the course of action suggested above is not considered appropriate for security reasons, then it would appear that the \$299.40 should be treated as unpaid compensation due subject and the amount should be held for offset against amounts due the Agency on final settlement.

d. With respect to the priority of application of amounts held for offset, i.e., first to Internal Revenue Service, then to Agency debts, it is understood that such course of action has been recommended in the interests of maintaining relations with Internal Revenue Service. In this connection, it might be well to consider whether it might not be in the interests of our relationship to apply funds held to Agency debts and then if a deficiency exists with respect to tax liability, furnish Internal Revenue Service with information necessary for them to prosecute subject for payment of taxes. Such action might furnish Internal Revenue Service with assurance that we are not taking advantage of the special handling of tax returns to avoid prosecution in cases where security permits release of appropriate information.

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e. Also, it is noted that the amounts available for offset as reflected in reference are understated. It now appears that subject will be due in excess of \$1400.00 in salary and retirement. Final determination of amount is contingent upon separation action. In the meantime, subject should not be advised that any specific amount is due him.

2. It is recommended that you concur in reference, subject to the above comments.

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FD/LMB:shp

Distribution:

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